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SUBJECT: THE LEBANESE BUSINESS COMMUNITY IN NORTHERN NIGERIA

REF: ABUJA 2191

¶1. (SBU) Summary. The majority of the wealthy Lebanese business community left Nigeria during the military period and only remnants remain. Successive poorly planned and executed government policies, such as government subsidies and import bans, have hurt local industries. The Nigerian mining sector is rich in high value minerals, but investors face high risks and so far - little reward. Nigerian leadership will need to address the concerns of the business community if it is serious in reaching the heights the new administration has suggested. End Summary.

¶2. (SBU) On October 4, 2007, Charge d'Affaires and Econoff met with Gabriel Ashkar, a well-placed Lebanese businessman based in Kano. His family settled in Kano in the 1920's, and began business ventures in processing vegetable oil then expanding into a number of industries, including breweries and mining.

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Nigeriazation of the Economic Elites

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¶3. (SBU) Ashkar reviewed the interesting but sad history of Nigeria's Lebanese community. During the period of successive military governments a large portion of the "elite" and wealthy Lebanese community left Nigeria. Those remaining are largely uneducated and will never be able reach the heights before the military government took power, Ashkar said. The military governments were bent on changing the business landscape by creating laws that replaced expat industrial leadership with Nigerians. He was critical of government subsidies and import bans especially when they did not even attain the stated goal of greater control of the economy by Nigerian businessmen.

¶4. (SBU) The import bans created and continue to protect industries that cannot be sustained. Kano did not benefit much from these policies because it is only a trading center. The "false economy" created by the subsidies and import bans have left industries in the north noncompetitive. Ashkar said if subsidies are removed the industries for which they were created (except textiles) will not last more than a few years and definitely not in a competitive environment. He contended that the bans should have been focused on those products or areas where Nigeria has a comparative advantage, and Nigeria cannot insulate itself from global competition. In addition, he cited a number of impediments to business - crumbling infrastructure, lack of power, expensive telecommunications and transport. GON policies on manufacturing, agriculture, energy, and information technology are woefully inadequate, and local businesses can not continue to rely on individual generators and personal communications systems.

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Nigeria's Mining Sector

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15. (SBU) Ashkar provided a snapshot into the mining sector, where he has substantial investments. Nigeria has some of the highest quality minerals (i.e. granite, gold, tin) in the world, and in large quantities that could be exploited and used as a catalyst for development. His investments are approximately \$40 million in tin mining and smelting started in 1988, and he owns 40% of Consolidated Tin Mines with the Nigerian Mining Corporation (NMC), a state owned corporation. Ashkar reported that in the short-term he has not seen any tangible returns, and lamented that mining is a long-term investment. He is seeking to get out of the mining business and NMC through the Bureau of Public Enterprises who is trying to sell Consolidated Tin Mines. He hopes to recoup between \$7-8 million, far less than his initial \$40 million investment.

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Is There Hope in the Mining Sector?

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16. (SBU) Due to the lack of accurate geospatial information, Ashkar believes the only way to realistically exploit the mining sector would be for the GON to fully survey the topography through satellite and GPS mapping, followed by preliminary exploration to determine where the minerals are and in what quantities. The GON should then hold an international conference to attract large multinationals that have the money to invest over the long term.

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Business Community Chagrined

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17. (SBU) Comment. Ashkar is representative of a number of long-time Nigeria "hands" who have become more and more disappointed with the business climate in Nigeria. This group contains Indians, Lebanese and others that have lived and invested in Nigeria from pre-independence days. Ashkar and others have seen local industries devastated by ill-considered and poorly implemented policies. As a

ABUJA 00002260 002 OF 002

result, their desire to continue business operations has waned. If Nigeria hopes to improve its business conditions, it must address the concerns of these Nigeria "hands." End Comment.

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